

WEDNESDAY

LESSON 6 NEGOTIATION TACTICS

Lesson 6

TOPIC: NEGOTIATION TACTICS (CHAPTER 6)

OBJECTIVE: Select and apply tactics, recognize tactics used by the other party, and counter win/lose tactics used by the other party.

TIME: Wednesday 8:00 am- 9:00 am

METHOD: Lecture

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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Primary Learning Objective

Condition: Given all the group cases (minus the Protecto Case) and the list of Tactics.

Task: Select and apply tactics, recognize tactics used by the other party, and counter win/lose tactics used by the other party.

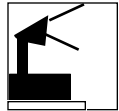
Standard: Applies tactics only when appropriate for the situation, and effectively uses the tactic. Correctly recognizes every tactic used by the other party. Effectively counters win/lose tactics used by the other party.

TOPIC: Negotiation Tactics

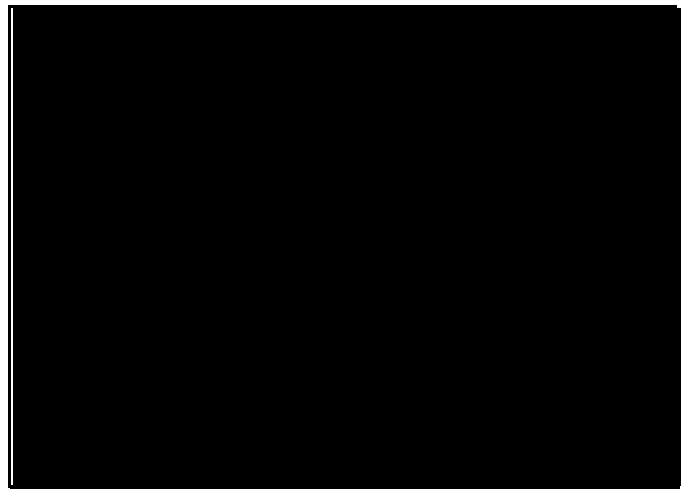
LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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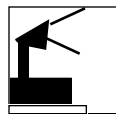
a. Introduce negotiation tactics.



6-1



Emphasize the fact that most tactics are bargaining ploys which are deceptive in nature, and thus are generally win/lose in orientation.



6-2

Negotiation Tactics	
<ul style="list-style-type: none"> • Tactics tend to be win/lose in orientation <ul style="list-style-type: none"> - really ploys that are deceptive in nature and not recommended for government contract negotiations • Important reasons to know tactics: <ul style="list-style-type: none"> - identifying tactics reduces their effectiveness - win/win tactics can facilitate bargaining success - win/lose tactics are sometimes necessary 	
Text 6.1, p. 84	

Although the general use of win/lose negotiation tactics is not recommended, there are important reasons to study the tactics frequently encountered in government contract negotiations.

- 1) By identifying a tactic for what it really is - a bargaining ploy - reduces or eliminates its effectiveness.

TOPIC: Negotiation Tactics

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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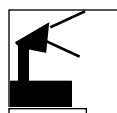
- 2) Win/win tactics and sometimes even win/lose tactics can be used to facilitate win/win bargaining objectives.
- 3) Application of specific countermeasures can be applied against win/lose tactics.

Any tactic can be modified or used in conjunction with other tactics, depending on the unique circumstances surrounding the bargaining session. The tactics presented in this chapter are those most often found in government contract negotiations. Examples of counter measures are also discussed.

b. Discuss win/lose tactics

The following tactics are generally considered win/lose because they represent bargaining ploys or ways to facilitate negotiation objectives by deceiving the other side:

- **Funny Money**



6-3

Funny Money	
<ul style="list-style-type: none"> • Defined as anything that takes the place of money • Examples include: gambling chips, monthly payment, credit cards, per ton rates, indirect cost rates, learning curve and profit percentages • Counter by calculating dollar amount! 	Win/Lose Tactic

Text 6.1, p. 85

Bargainers may use diversionary words and symbols to represent true monetary values during the negotiations.

Funny money can hide the actual dollar amount. Monetary symbols like profit rates, indirect cost percentages, and price per pound distract attention from determining the true cost dollar value. The recipient of the tactic can be lulled into accepting amounts that are different than what would have been the case

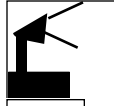
TOPIC: Negotiation Tactics

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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had actual dollar amounts been used instead of funny money versions.

• **Surprise**



6-4

Surprise

Win/Lose Tactic

- Shocking or surprising other side
- Often involves a "planned" emotional outburst
- Used by Nikita Krushchev at UN
- Countermeasures:
 - Don't get flustered
 - Call a caucus or delay response

Text 6.1, p. 85

Negotiation may introduce an unexpected behavior, issue, or goal at an unexpected point in the proceedings. This tactic often invokes a non-spontaneous event to surprise or shock the other side, such as a planned emotional outburst.

If the other party has not anticipated the surprise they will not have had time to formulate counter rationales or counterbalancing concessions. Consequently, the user may be able to win the objective without having to yield anything. The apparent shock or surprise is also used to elicit an emotional response from the other side that facilitates the user's objectives.

TOPIC: Negotiation Tactics

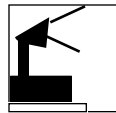
LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

• **Blanketing**



6-5

Blanketing

- Asking for everything at once including issues that you don't
- Overwhelm other party to obtain quick and easy concessions on important demands
- Counter by narrowing down to essential issues

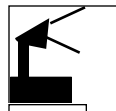
Text 6.1, p. 85

Win/Lose Tactic

Negotiators using this tactic ask for everything at once ("blanketing" the other side) by opening the negotiation with all their demands at once.

The user of this tactic hopes that the other side will be overwhelmed with the extent of all the demands and concede on the more important issues.

• **Undermining**



6-6

Undermining

- Putting other side on defensive by making threats or issuing ultimatums
- Risky tactic that often backfires
- Greatest success when couched in tactful, diplomatic language
- Countermeasures
 - Stand firm, but don't get angry or scared
 - Explain associated risks and costs

Text 6.1, p. 86

Win/Lose Tactic

TOPIC: Negotiation Tactics

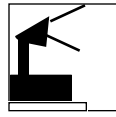
LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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The bargainer using this tactic attempts to put the other side on the defensive by use of threats, insults, or ultimatums

The negotiator using this risky tactic hopes to gain concessions by bullying the other side. Some contractor negotiators have tried to lower the confidence of the government by making negative comments about the incompetence of government personnel and their frustration with the "red tape" involved in selling to federal agencies.

• **Silence**



6-7

<p>Silence</p> <ul style="list-style-type: none"> • Avoid discussing an issue by remaining silent or talking about something else • User does not want to discuss weakness in position • Counter by using persistent effective questions to uncover avoided topic <p><small>Text 6.1, p. 86-87</small></p>	<p>Win/Lose Tactic</p>
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A party using this tactic does not say anything about a negotiation point hoping that the issue does not come up. If the negotiation point is mentioned, the user of this tactic remains silent or avoids the topic by talking about something else.

This tactic is generally used when negotiators do not want to disclose weaknesses in their position. For example, a contractor trying to sell unwarranted parts to the government would not want to mention the fact that the parts do not have warranties. The tactic is also used when bargainers want to obtain information by letting the other side do the talking. In this case, some negotiators feel obligated to talk and reveal information on their position when the other side is deliberately silent. Sometimes these negotiators will even end up talking themselves into accepting the other side's positions.

TOPIC: Negotiation Tactics

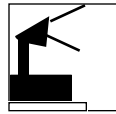
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Ref.

Steps In Presenting The Topic

Instructor Notes

• **Feinting**



6-8

Feinting

- Giving other side a false impression using misleading and untruthful statements
- Generally unethical
- Counter with effective questions

Text 6.1, p. 87

Win/Lose Tactic

Negotiators employing this tactic use true, but misleading statements or behavior.

Feinting gives the other side a false impression or deceives the other side into believing something that is not true. For example, a Navy contractor "feinted" by telling the government negotiator that the construction project had already begun when only some minor tree clearing had taken place. In fact, the contractor was unable to start construction because the earth-moving equipment needed was still being used on another job.

TOPIC: Negotiation Tactics

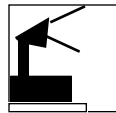
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Ref.

Steps In Presenting The Topic

Instructor Notes

• **Limited Authority**



6-9

<p>Limited Authority</p> <ul style="list-style-type: none"> • Bargainer claims lack of authority to negotiate • Obtain limits of the other side without making commitments • Countermeasures: <ul style="list-style-type: none"> – Determine limitations upfront – Negotiate with authority figure <p><small>Text 6.1, p. 87</small></p>	<p>Win/Lose Tactic</p>
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Bargainers using this tactic claim they do not have the authority to negotiate a certain issue.

Negotiating with limited authority is used to find out the limits of the other side's position without committing your side. For example, contractors will sometimes use this tactic to find out what the government will pay without stating their price, by claiming that their negotiators do not have final authority on price.

TOPIC: **Negotiation Tactics**

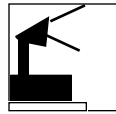
LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

• **Apparent Withdrawal**



6-10

<p>Apparent Withdrawal</p> <ul style="list-style-type: none"> • Pretending to deadlock with intention of resuming later on • Let's other side know how serious you are on a particular issue • Dangerous and risky tactic because other side may not want to resume negotiation • Counter by waiting out the other side <p><small>Text 6.1,p. 87</small></p>	<p>Win/Lose Tactic</p>
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Bargainers break off negotiations with the unannounced intention of resuming bargaining later.

This tactic is accomplished to let the other side know how serious you are on a particular issue that is very important to your side. However, the apparent withdrawal can be a dangerous device because there is always a significant risk that the other side will not want to resume negotiations again. The best time for using this tactic is when every other attempt to move the other side on an important and vital point has been unsuccessful.

TOPIC: Negotiation Tactics

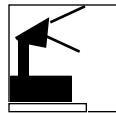
LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

• **Deadline**



6-11

Deadline

- Arbitrary time limits to force deals
- Creates pressure on the other side to make deals
- Classic example:
 - Sale Ends TODAY!
- Short deadlines indicate tactic application
- Countermeasures:
 - Purposely miss deadline
 - Bargain for more time
 - Challenge validity of deadline

Text 6.1, p.88

Win/Lose Tactic

Negotiators establish arbitrary time limits or deadlines to force deals and make things happen.

Time limits create pressure on the other side to settle. In some cases, the government has been able to secure timely deals by imposing settlement deadlines on contractors. However, deadlines can also be used to rush one of the parties into quick and possibly unfavorable agreements. Time limits or threats of a deadline can also be used to enhance bargaining positions. Examples of arbitrary deadlines are expiration dates for contract award, dates for budget passage, or price increase dates.

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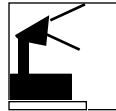
LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

• **Good Guy/Bad Guy**



6-12

Good Guy/Bad Guy

- One negotiator plays good guy while other bargainer hard-core , bad guy
- Good guy appears sympathetic to other side
- Ploy: only alternative to bad guy position is good guy outcome
- Counter by stating recognition of tactic to other side

Text 6.1, p.88

Win/Lose Tactic

This tactic involves role playing by members of the negotiating team. One member plays an easy-going "good guy" role while another team member role plays the hard-core or difficult "bad guy" bargainer. The "bad guy" may even take an extreme position which sometimes involves a serious threat to the opponent.

The "good guy" position is basically the same position the other team is striving for. The "good guy" attempts to convince the other side that the only alternative to the "bad guy" position is accepting the "good guy" outcome.

In some actual cases, the contracting officer played the "bad guy" and refused to budge on any issues. After the contracting officer left the bargaining session the contractor then became eager to quickly settle with the other government negotiator role-playing the "good guy". This is the very type of win/lose bargaining ploy that the government negotiators should generally avoid.

TOPIC: Negotiation Tactics

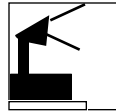
LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

• **Invoking Fake Competition**



6-13

Invoking Fake Competition

- Lauding false alternatives choices causing other side to doubt their position
- Introducing "bogus competition"
- Very effective when applied in a credible manner
- Counter by questioning why bargaining is even taking place if competition is so good

Text 6.1, p. 89

Win/Lose Tactic

Negotiators using this tactic openly praise the benefits of alternative choices which compete against the position of the other side.

Referring to bogus competition can be very effective because this pressures the other side. The perception of better alternatives often causes the other side to doubt the reasonableness of their position. In some real-life instances, the contractor has been able to invoke bogus competition by referring to non-existent higher prices paid by other customers that do not exist.

TOPIC: Negotiation Tactics

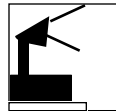
LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

• **Wet Noodle**



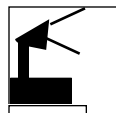
6-14

<p>Wet Noodle</p> <ul style="list-style-type: none"> • Giving qualified or noncommittal responses • Users frequently do not want to make concessions or commitments • Counter by insisting on a response before moving on to another issue <p><small>Text 6.1, p. 89</small></p>	<p>Win/Lose Tactic</p>
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Negotiators using this tactic are difficult to pin down on any issue because they give qualified or noncommittal responses.

Users of this tactic frequently do not want to make concessions or commitments.

• **Take it or Leave it**



6-15

<p>Take It or Leave It</p> <ul style="list-style-type: none"> • Used all the time whenever sales are made without negotiation • Other side expected to accept price at face value, such as contractor price lists or standard profit percentages • Countermeasures: <ul style="list-style-type: none"> – Insist that everything is negotiable – Counter with non-price demands <p><small>Text 6.1, p. 89</small></p>	<p>Win/Lose Tactic</p>
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TOPIC: Negotiation Tactics

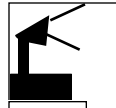
LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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This tactic is being used when the other side signals that agreement is expected without negotiation or any further bargaining, such as "I crossed out two items in the contract--sign here," or "My best offer is on the table and I have no room to compromise further."

The user wants to dictate the outcome by making the other side feel they are expected to accept (or reject) the offer at face value without further negotiation.

• **Fait Accompli**



6-16

<p>Fait Accompli</p> <ul style="list-style-type: none"> • Presenting other party with completed action with no choice but acceptance • Ploy: action must be accepted because it is too late to change • Counter by stating your intention to bargain the issue and make necessary changes <p><small>Text 6.1, p. 89</small></p>	<p>Win/Lose Tactic</p>
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Fait accompli is presenting the other party with a completed action, insisting they have little or no choice but to accept it.

The user hopes the other side will accept the proposal because the action has already been completed. For example, the contractor presents the government with an unsigned written contract expecting the government to sign the agreement without negotiation.

TOPIC: Negotiation Tactics

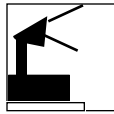
LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

• **Bogey**



6-17

Bogey

- Blame position on third parties or situations beyond the negotiators control
- Any excuse in the world will do
- Bargainers escape responsibility because "Bogey" is beyond their control
- Countermeasures:
 - Stand firm
 - Offer to bargain with the "Bogey"

Text 6.1, p. 90

Win/Lose Tactic

Bargainers using this tactic blame their negotiating positions on third parties or situations beyond their control, such as limited funding.

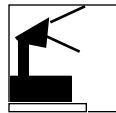
Bargainers using the tactic may escape responsibility for their position since the bogey is supposedly beyond their control. Because of this lack of accountability, the tactic tends to lower expectations without getting the other side upset with the negotiator.

TOPIC: Negotiation Tactics

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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• **Crunch**



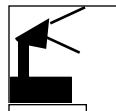
6-18

<p>Crunch</p> <ul style="list-style-type: none"> • Says words to the effect: "You have got to do better" or "it's not good enough" • Lowers expectations by creating doubts • Counter by asking the other side to justify the crunch <p>Text 6.1, p. 90</p>	<p>Win/Lose Tactic</p>
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Regardless of the generosity of the proposal, the user of this tactic is never satisfied and responds in words to the effect: "You have to do better than that," or "That is not good enough."

This win/lose tactic often lowers expectations because the other side begins to doubt the reasonableness of their own position. The tactic may also engender appreciation when the other party feels grateful for a second chance.

• **Decoy**



6-19

TOPIC: Negotiation Tactics

LESSON PLAN

Ref.

Steps In Presenting The Topic

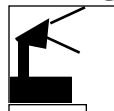
Instructor Notes

<p style="text-align: right;">Win/Lose Tactic</p> <h3>Decoy</h3> <ul style="list-style-type: none"> • Placing apparent importance on unimportant issue • Trade the decoy for a concession of value without giving up anything important in return • Countermeasures <ul style="list-style-type: none"> – Concede confederate issue and hold out for a trade of value – Challenge validity of decoy <p style="font-size: small;">Text 6.1, p. 90</p>

Bargainers place apparent importance on a straw issue whose outcome is really not that important to them.

Users have the intention of trading the decoy for a concession of value. When effectively applied, this strategy enables the user to obtain a valuable concession without giving up anything important in return. For example, the contractor will pretend to grudgingly concede on the straw issue of a price estimating error, but will not make other concessions on issues important to their side.

• **Legitimacy**



6-20

<h3>Legitimacy</h3> <ul style="list-style-type: none"> • Use of commonly accepted standards or "documents" to confer legitimacy on position • Price lists, precedent, and official policy are common examples • Used in conjunction with "take it or leave it" tactic • Counter by insisting that everything is negotiable <p style="font-size: small;">Text 6.1, p. 91</p>	<p style="text-align: right;">Win/Lose Tactic</p>
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TOPIC: Negotiation Tactics

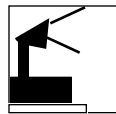
LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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Legitimacy involves the use of commonly accepted standards, past practice, official policy, or written documents to support a bargaining position.

- c. Present a description, purpose, and countermeasure to each win/lose tactic.**

- d. Discuss win/win tactics**



6-21

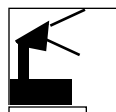
Win/Win Tactics

- Ways to facilitate win/win outcomes
- Caution: Can be abused and sometimes used as win/lose ploys
- Only counter when used as a ploy

Text 6.2, p. 92

The following tactics are generally win/win in nature. However, win/win tactics can be abused and used as win/lose bargaining ploys by win/lose negotiators.

- **Forbearance**



6-22

TOPIC: Negotiation Tactics

LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

Win/Win Tactic

Forbearance

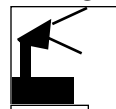
- Agree to disagree and move on
- Minimize lengthy disagreements
- Search for areas to agree on
- Give each side more time to view tough issues

Text 6.2, p. 92

Forbearance occurs when both sides agree to disagree and move on to the next issue without making a commitment one way or the other.

When both sides disagree on an issue, using this tactic can prevent the negotiation from bogging down on areas of disagreement. Instead, the bargainers search for areas each party can agree on. Delaying agreement efforts can also give each side more time to view the unresolved issues in a different light.

• **Questioning**



6-23

Win/Win Tactic

Questioning

- Asking questions to obtain information from other side
- Good purposes include:
 - Obtaining additional facts
 - Seeking a specific response: "What is the best you can do?"
 - Giving information: "Did you know.."
 - Aid in reaching agreement: "When can you start work?"

Text 6.2, p. 92

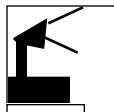
TOPIC: Negotiation Tactics**LESSON PLAN****Ref.****Steps In Presenting The Topic****Instructor Notes**

This tactic is also called "factfinding" because users of the tactic ask questions to obtain information from the other side.

The negotiator asks questions for a variety of purposes, including:

- Obtaining additional facts or specific information on the other side's position.
- Seeking a specific response.
- Giving information.
- Breaking impasses.
- Assisting the other side in reaching agreement.

• **Trial Balloon**



6-24

Trial Balloon	Win/Win Tactic
<ul style="list-style-type: none"> • Presenting options by prefacing offers with "What if...?" • Propose ideas for win/win solution • Does not commit user but gives other side refusal or acceptance options • Propose in ways that encourage an alternate solution when trial balloon is not accepted 	
Text 6.2, p. 93	

Negotiators using a trial balloon present the other side with options by prefacing offers with "what if . . .".

Using this tactic allows each side to bounce off ideas for win/win solutions. Trial balloons are proposed in such a way that the other party is encouraged to offer alternative solutions.

TOPIC: **Negotiation Tactics**

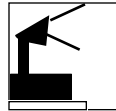
LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

• **Alternative Positions**



6-25

Alternative Positions

- Offer multiple alternatives at the same time
- Other side has option of several choices
- Selection of one alternative gives other side "ownership" of solution

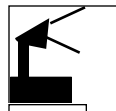
Text 6.2, p. 93

Win/Win Tactic

Another win/win tactic is offering alternative positions at the same time during the bargaining session.

The other side has the opportunity to select options or alternative courses of action most favorable to their position, thus minimizing any adverse consequences of not obtaining agreement on the primary position of the other party. Moreover, the selection itself gives the other side ownership in the solution.

• **Acceptance Time**



6-26

Acceptance Time

- Give other side time to "think about it"
- Time is needed to grasp proposals and accept new ideas
- Caution: Too much time could derail momentum for quick agreement or give other side time to change position

Text 6.2, p. 93

Win/Win Tactic

TOPIC: **Negotiation Tactics**

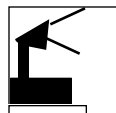
LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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A negotiator may deliberately give the other side enough time to grasp proposals and ideas by suggesting a break in negotiations.

Negotiators need time to accept something new or different.

• **Brainstorming**



6-27

Brainstorming

- Thinking out loud and openly discussing possibilities, issues, solutions, and concessions
- Encourage new ideas
- Useful identifying needs and information from the other side

Text 6.2, p. 93

Win/Win Tactic

The negotiator using this tactic thinks out loud and openly discusses many ideas with the other side, such as possible solutions or concessions which would resolve the issues.

TOPIC: Negotiation Tactics

LESSON PLAN

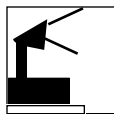
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Steps In Presenting The Topic

Instructor Notes

When sincere in its approach, brainstorming can be a useful tactic to identify all the needs (including the hidden non-price issues and underlying needs of the other side).

- **Salami**



6-28

Salami

- Making demands one at a time or requesting concessions bit by bit
- Better able to fully explain each issue before moving on
- Because other side doesn't know complete extent, immediate resistance may be more unlikely

Text 6.2, p. 94

Win/Win Tactic

The negotiator using this tactic makes demands one demand at a time, or bit by bit, rather than requesting everything all at once.

TOPIC: Negotiation Tactics

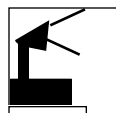
LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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Using this tactic gives the win/win negotiator the opportunity to fully explain and sell each position before moving on to another issue.

The other side does not fully realize how many demands are going to be made and, consequently, may be more receptive to early concessions. Salami is also used by negotiators to "get a foot in the door" and try for a small piece of the action, rather than attempting to negotiate for the entire pie.

• **Bracketing**



6-29

Bracketing

- Narrowing issues to determine what is really essential to other side
- Used as counter to Blanketing

Text 6.2, p. 94

Win/Win Tactic

This tactic occurs when a negotiator narrows down the issues to determine what issues are essential to the other side.

LESSON PLAN

Instructor Notes

e. Summarize the chapter by reminding participants that understanding the most commonly used tactics found in government contract negotiations helps the win/win negotiator facilitate negotiation success.



- Win/Lose tactics are plays
- Deception used to increase bargaining success
- Recognition is the universal counter
- Win/Win tactics facilitate Win/Win outcomes
- Win/Lose tactics only last resort

Negotiation tactics are used for the purpose of obtaining bargaining objectives. Win/lose negotiation tactics are generally ploys or deceptions used to gain advantage by deceiving the other side. Accordingly, the application of win/lose tactics is generally not recommended in government contract negotiations. However, win/win tactics should be used to facilitate win/win outcomes. Win/lose tactics can even be used under exceptional circumstances against win/lose negotiators to achieve win/win outcomes.

6-27

TOPIC: **Negotiation Tactics**

LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

MORNING BREAK (15 - 20 minutes)

TOPIC: SCAN CASE GROUP PREPARATION

OBJECTIVE: Negotiate.

TIME: Wednesday 9:20 - 10:20 am

METHOD: Small Group Work

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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SCAN GROUP PREPARATION

- a. **Scan group preparation should proceed in the same manner as the Protecto group preparation.**



Remember:

1. Assign rooms and negotiation times before allowing students to prepare as groups.
2. Assign the classroom to the contractor teams and additional rooms to the government teams.
3. Never assign teams representing different sides to the same room.
4. Write the preparation, negotiation, and critique times on the board. Give a minimum of 3 hours for the negotiation and 1 hour for the critique. **Emphasize the importance of beginning the negotiations on time.**
5. Review student ground rules with particular emphasis on the importance of role playing and the responsibilities of the chief negotiator and observer.
6. Since all negotiations are assumed to occur in the government offices, direct the government teams to report to their assigned rooms a few minutes early to set up the bargaining table.
7. Remind the observer and the team to use Preparation Guide Handout during preparation phase.



8. Release students for the morning break instructing them to report to their assigned rooms at the beginning of the scheduled preparation time.

TOPIC: Scan Group Preparation

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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- b. Reemphasize the five overriding negotiation themes from chapter one.**

Namely; (i) Think Win/Win; (ii) Sell Your Position; (iii) Win Agreement Instead of Arguments; (iv) Everything is Negotiable; and (v) Make It Happen.

PREPARATION PHASE INSTRUCTOR DUTIES

- a. Do not brief the students on the key discussion issues peculiar to the case.**
- b. Students should have read the case they will negotiate the night before.**
- c. Spend an equal amount of time observing the individual groups prepare their cases.**

Care should be exercised to ensure that any questions you answer do not give one team an unfair advantage over another, or more information than the other teams have.

- d. Take notes on both the good things and mistakes that have occurred.**

PAY PARTICULAR ATTENTION TO THE KEY DISCUSSION ISSUES AND THE APPLICATION OF PROPER BARGAINING TECHNIQUES, NONVERBALS, AND NEGOTIATION TACTICS for the case that is being negotiated.

TOPIC: SCAN NEGOTIATION

OBJECTIVE: Negotiate.

TIME: Wednesday 10:20 - 2:30 pm

METHOD: Small Group Work

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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SCAN NEGOTIATION (3 hours 10 minutes)

- a. **Students generally do not feel they have enough time to fully prepare for the case.** However, you should be prepared to end the preparations on time so that the negotiations begin as scheduled.
- b. **Observe as much of the negotiations as possible by watching all three groups.** Observe the bargaining techniques of both sides using Chapter 5 as the standard.

Students can often learn from their mistakes. Look for noncompliance with the standard.

Be particularly alert for Rule 9 (Say It Right) violations and win/lose negotiation styles. Write down your observations noting the particulars of each situation.

- c. **Even though some students will have questions, you generally should not provide answers during either the bargaining session or the caucus/breaks that ensue.**

This forces the students to solve problems themselves and ensures the team with questions are not provided more information than other teams.

LET THE STUDENTS MAKE MISTAKES UNLESS THE MISTAKES ARE DETRIMENTAL TO THE LEARNING PROCESS. The learning experience can often be enhanced by someone's mistakes.

- d. **Encourage the students to think win/win.**

Remind the students that there is frequently no right or wrong way to negotiate a particular point.

- e. **Allow the students to take a 1 hour lunch break.**

TOPIC: SCAN CRITIQUE

OBJECTIVE: Negotiating Critique

TIME: Wednesday 2:30 pm- 3:30 pm

METHOD: Lecture

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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SCAN CRITIQUE (1 hour)

- a. Reassemble the students in the classroom and in a lecture/discussion format review the group negotiations that just took place.

This review is focused on the key discussion issues for the case and the application of proper bargaining techniques, negotiation tactics, and nonverbals.



- b. Because some students are sensitive to criticism, you should use care in illustrating inappropriate behavior to ensure that students do not take the criticism as a personal attack.
- c. Compare the outcomes of the different negotiations using the following matrix.

Teams		Outcome Amount	Direct Material Learning Curve %	Direct Labor Learning Curve %	Units of Production Forecast	Profit %
A	E					
B	F					
C	D					

TOPIC: Scan Critique

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
------	-------------------------------	------------------

SCAN CASE KEY DISCUSSION ISSUES



The following key discussion issues should be covered during the critique of the SCAN Case.

a. Understand the need to accept some risk, when negotiating.

Risk can never be completely avoided in negotiating win/win outcomes. There will always be unknown elements for both sides and negotiators must be willing to accept some risk.

Nothing in life is completely risk free! Neither the government nor contractor can predict the actual learning curve for certain. Even if the contractor had produced this item in the past and had a learning curve, **THERE IS NO ABSOLUTE CERTAINTY THAT THE CURVE WILL CONTINUE TO PREDICT THE SAME RESULTS.**

Contractor teams often argue that the sales forecast does NOT include firm orders and is just a projection of what might happen. However, even firm orders do not translate into risk free business for the contractor. Actual costs and profit may be higher than projected. Moreover, there are always cancellations for a variety of reasons, such as bankruptcies and poor credit. If firms priced products based on actual orders, the sticker price for new cars would be \$1 million plus at the start of the new model year. **Prices should always be based on reasonable forecasts of anticipated business.**

b. Apply the rules of concession-making to your negotiations.

Since both sides will have to make concessions to reach agreement, observe and critique the ways in which concessions are made.

Pay particular attention to Rule 2 ("Give Yourself Room To Compromise") and Rule 5 ("Use Concessions Wisely").

- Does the government's first counter-offer give the government too much or not enough bargaining room (Rule 2)?
- Are concessions given slowly and in small amounts (Rule 5)?

TOPIC: Scan Critique

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
------	-------------------------------	------------------

- Do the negotiators ask for concession from the other side in exchange for a concession in return (Rule 5)?

c. Say it right (Rule 9).

Be alert for both verbal and nonverbal violations of Rule 9 "Say It Right."

d. Practice overriding negotiation themes of "Sell Your Position" and "Win Agreements Instead of Arguments".

At this point some students still have not learned the proper way to sell their position or state disagreements. Many students will try to win ARGUMENTS instead of agreements and will violate the overriding negotiation themes in doing so.

Student negotiators should also use friendly persuasion in a cordial business-like manner to "sell" their bargaining position.

e. Distinguish between crucial and unimportant issues.

The students should learn to identify the crucial from the unimportant issues and not waste time negotiating trite or mundane points. In this case, there are two issues which overshadow everything else.

- The first major issue is the determination of the learning curve slopes to be used in estimating the cost of the direct labor and direct material.
Should these slopes be at the high or low end of the industry averages? There may even be reasons to have the slopes outside of the industry averages.
- The second major issue is the estimate of the annual sales forecast to determine the unit costs for the government. The higher the projected volume, the lower the unit cost and visa versa.

Student negotiators should focus on the major issues and not get bogged down on secondary considerations. Some negotiators will get side tracked on relatively unimportant issues, such as profit on G&A. A great deal of time and goodwill could be wasted on these secondary issues even though these issues only represent approximately one percent of the contract price.

TOPIC: Scan Critique

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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f. Understand when it is appropriate to walk away from or back to negotiations (Rule 8).

Because of intransigence or unfairness displayed by the other side, good negotiators should be able to walk away from the bargaining table when their fair offers are refused. In particular, the government may have reason to walk if the contractor refuses to base the price on more than 500 units. (Note: Before walking, the government should try all other win/win methods to persuade the contractor.)

Similarly, because of the severe pressure inherent to both sides, either the government or the contractor should attempt to resume negotiations after a reasonable wait.

g. Develop a minimum and maximum position.

Besides developing a price objective, students should have estimated a minimum and a maximum position based on sound rationale. These end limits (min/max) should not be "ball park" numbers. Instead they should be determined by analyzing the worst case and best case scenarios for each side.

For example, the minimum contractor position could be calculated after determining the lowest learning curves and highest production forecasts the contractor can reasonably accept.

TOPIC: COBURN-CALLAWAY CASE PREVIEW

OBJECTIVE: Prepare for negotiation.

TIME: Wednesday 3:20 pm- 3:30 pm

METHOD: Lecture

LESSON PLAN

Ref.

Steps In Presenting The Topic

Instructor Notes

PREVIEW OF TOMORROW'S NEGOTIATION



Condition: Given Chapters 1-8

Task: Negotiate Coburn-Callaway

Standard:

- Comply with all commandments.
- Correctly recognize and interpret nonverbal cues.
- Given the nonverbal cues, make appropriate adjustments to strategies, tactics, and one's own verbal and nonverbal messages.
- Apply tactics only when appropriate for the situation and effectively use each selected tactic.
- Correctly recognize every tactic used by the other party.
- Effectively counter tactics used by the other party.
- Comply with all special rules for competitive discussions.

- a. **Determine the group matchup for tomorrow by using the following matrix:**

<u>Government</u>	<u>Coburn</u>	<u>Callaway</u>
A	C	E
B	D	F

Teams A and B will now be government, and C, D, E, and F are now the contractors for tomorrow's exercise. Since this case is a competitive discussion, the government negotiates with two contractor teams competing for award of contract.

TOPIC: **Colburn-Callaway Case Preview**

LESSON PLAN

Ref.	Steps In Presenting The Topic	Instructor Notes
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| | <p>b. Pass out the Coburn-Callaway case, giving the government and contractor teams their appropriate handouts.</p> | |
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	<p>Coburn Corp. will be represented by teams C and D, while teams E and F will represent Callaway International.</p>	
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